

MONTANA LEGISLATIVE HISTORY

Chapter 422 ~~19~~ 2001

Bill H 57 S _____ Original bill & history ____c

H. Committee on Taxation

Hearing Date(s) 1-19 ✓c

2-8 ✓c

Approp. → 3-1 ✓c

3-12 ✓c

Date Out _____c

S. Committee on Finance

Hearing Date(s) 4-3 ✓c

_____c

_____c

_____c

Did this bill originate in an interim committee? ____Yes ____No

Committee _____

Report _____

Bill Draft Number: LC0380

Current Bill Text

Bill Type - Number: HB 57

Fiscal Note

Short Title: Transfer \$0.5 million from sec. 8 housing to afford. housing revolving account**Primary Sponsor:** Ron Erickson**Bill Actions - Current Bill Progress:** Became Law**Bill Action Count:** 55

Action - Most Recent First	Date	Votes Yes	Votes No	Committee
Chapter Number Assigned	04/30/2001			
(H) Signed by Governor	04/30/2001			
(H) Transmitted to Governor	04/21/2001			
(S) Signed by President	04/21/2001			
(H) Signed by Speaker	04/19/2001			
(H) Returned from Enrolling	04/13/2001			
(C) Sent to Printing	04/12/2001			
(H) Sent to Enrolling	04/12/2001			
(S) Returned to House	04/12/2001			
(S) 3rd Reading Concurred	04/12/2001	43	7	
(S) Scheduled for 3rd Reading	04/12/2001			
(S) 2nd Reading Concurred	04/11/2001	42	7	
(S) Taken from Committee; Placed on 2nd Reading	04/11/2001	41	9	(S) Finance
(S) Scheduled for 2nd Reading	04/11/2001			
(S) Tabled in Committee	04/05/2001			(S) Finance
(S) Hearing	04/03/2001			(S) Finance
(S) Rereferred to Committee	03/22/2001			(S) Finance
(S) Hearing Canceled	03/22/2001			(S) Taxation
(S) Referred to Committee	03/21/2001			(S) Taxation
(S) First Reading	03/21/2001			
(H) Transmitted to Senate	03/20/2001			
(H) 3rd Reading Passed	03/20/2001	73	27	
(H) Scheduled for 3rd Reading	03/20/2001			
(H) 2nd Reading Passed	03/19/2001	68	31	
(H) Scheduled for 2nd Reading	03/19/2001			

(H) Committee Report--Bill Passed	03/14/2001			(H) Appropriations
(H) Committee Executive Action--Bill Passed	03/13/2001	11	7	(H) Appropriations
(H) Hearing	03/01/2001			(H) Appropriations
(H) Motion Carried	02/13/2001			
(H) Rereferred to Committee	02/13/2001	65	34	(H) Appropriations
(H) 2nd Reading Passed	02/13/2001	86	12	
(H) Scheduled for 2nd Reading	02/13/2001			
(H) Scheduled for 2nd Reading	02/12/2001			
(C) Sent to Printing	02/08/2001			
(H) Committee Report--Bill Passed as Amended	02/08/2001			(H) Taxation
(H) Committee Executive Action--Bill Passed as Amended	02/08/2001	18	2	(H) Taxation
(H) Hearing	01/19/2001			(H) Taxation
(H) Fiscal Note Printed	01/19/2001			
(H) Fiscal Note Received	01/17/2001			
(H) Sponsor List Modified	01/15/2001			
(H) Fiscal Note Requested	01/10/2001			
(H) First Reading	01/03/2001			
(H) Referred to Committee	12/26/2000			(H) Taxation
(C) Introduced Bill Text Available Electronically	12/11/2000			
(H) Introduced	12/11/2000			
(C) Pre-Introduction Letter Sent	12/04/2000			
(C) Draft in Assembly/Executive Director Review	11/30/2000			
(C) Draft in Final Drafter Review	11/30/2000			
(C) Bill Draft Text Available Electronically	11/28/2000			
(C) Draft in Input/Proofing	11/27/2000			
(C) Draft to Drafter - Edit Review [SAB]	11/27/2000			
(C) Draft in Edit	11/27/2000			
(C) Draft in Legal Review	11/27/2000			
(C) Draft to Requester for Review	11/27/2000			
(C) Draft Request Received	10/23/2000			

HOUSE COMMITTEE ON TAXATION
January 19, 2001
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HEARING ON HB 57

Sponsor: REPRESENTATIVE RON ERICKSON, HD 64, Missoula

Proponents: Patti Keebler, Montana AFL-CIO
Tim Davis, Montana Smart Growth Coalition
Anne Hedges, Montana Environmental Information
Center
Wendy Young, WEEL
Roger Halver, Montana Association of Realtors
Sharon Hoff-Brodowy, Montana Catholic Conference
Gene Lewer, Rocky Mountain Development Council
Briana Kerstein, Montana People's Action
Representative Gail Gutsche
Judy Smith, WORD
Ren Essen
Dick Thweatt, Plan Helena

Opponents: Mark Simonich, Department of Commerce
Bruce Brensdal, Department of Commerce
Ronda Carpenter, Montana Housing Providers

Opening Statement by Sponsor:

{Tape : 1; Side : A; Approx. Time Counter : 5.3}

REP. ERICKSON said he is presenting two bills that are closely connected, both of which would provide funding for a revolving loan account. EXHIBIT(tah15a01) This new law was added in 1999, but there is a trust with no money. There is extra money in Section 8 housing through the Department of Commerce, so it is suggested this money go into the housing trust fund. If this bill passes, it will go to appropriations for balancing.

Proponents' Testimony:

{Tape : 1; Side : A; Approx. Time Counter : 11.4}

Judy Smith, WORD, said affordability and housing is a problem for many Montanans, but particularly for low income Montanans. EXHIBIT(tah15a02) She reviewed and discussed the exhibit, specifically the last paragraph. Missoula recently released an impediments to fair housing report saying the housing affordability crisis is so great that it has become a discrimination issue against low income families. This report also states 23% of low income families pay over 50% of their

income for housing. Out of the 8960 families that would qualify for rental assistance, only 2194 received it. There is also a problem with no availability of rentals. According to Bob Buzzas, Coordinator, State Continuum Care Coalition, "Homelessness is a rural as well as an urban problem. You find homeless families in Glendive, in Havre, as well as in Billings and Missoula." EXHIBIT(tah15a03) They have received an increase in the number of calls for help. This number went from 351 calls in 1998 to 1237 in 2000. In these communities, there is a zero vacancy rate and rents that have increased over 200% in the 1990's. The Housing Trust Fund will allow us to begin to address some of this need. EXHIBIT(tah15a04)

Ren Essen, Affordable Housing Developer & Executive Director of Homeward, said this is not just an issue for urban areas, as rural areas also face a high cost burden. Families are having trouble throughout the state finding affordable rentals. The Housing Trust Fund is also an economic development solution. A report from the Montana Housing Partnership that for every dollar leveraged into the trust fund, it leverages an additional \$9.00. The Section 8 money can be used to promote home ownership and create new affordable units by using a portion of the reserve money to provide loans directly to families, down payment assistance to low income home buyers, second mortgages, and low interest loans directly going to developers in exchange for securing affordable units. There needs to be multiple funding sources to solve the housing problems, and we need to work with the Department of Commerce to access money into the trust fund.

Wendy Young, Working for Equality & Economic Liberation (WEEL), said housing is an important part of economic liberation. She gave an example of what a low income family living in the Missoula area is and what it costs to just pay rent.

Briana Kerstein, Montana People's Action, said the organization finished construction on eight new homes in the Billings area. They provided assistance to make the loans affordable for low income families. She gave an example of a family who was able to move into one of these homes. They believe moving a family from rent to owning a home is a good thing, and the way to do this is to create more housing and to keep it affordable.

Tim Davis, Executive Director, Montana Smart Growth Coalition, said there is not enough affordable housing in all areas of Montana. Often times the lack of affordable housing forces people to move outside of town eating up prime agricultural land. Sometimes people move out of town by choice because there is not

decent affordable housing inside town. Providing affordable housing protects farm and ranch land, clean water, and clean air. It is an essential part of any community's planning process to provide enough affordable housing.

Roger Halver, Montana Association of Realtors, said this legislation could promote affordable home ownership to low income families. There are two reasons home ownership has been difficult for low income families in many areas of Montana: 1) a national trend of increases in the price of property and 2) the wages in Montana have remained low. They would prefer the money going into the revolving loan account be used for low interest loans and down payments.

REP. GAIL GUTSCHE, HD 66, Missoula, said there are quite a few residents in her district who live at or below the poverty line, and there is also old and dilapidated housing stock. She read some statistics from a recently released report called Analysis of Impediments to Fair Housing, City of Missoula.

Sharon Hoff-Brodowy, Montana Catholic Conference, said there is a right to housing, and without some kind of housing stability, healthy family development and job retention are impossibilities. There needs to be a source to fund this housing trust.

Dick Thweatt, Plan Helena, said there is a lack of affordable housing in the Helena area. The minimum cost of a low end new manufactured house is \$90,000.

Patti Keebler, Montana AFL-CIO, said this legislation is an excellent opportunity for the legislature to invest in Montana families by assuring more citizens have decent and affordable housing. They also support the creation of good paying jobs that new housing construction would create.

Ann Hedges, Montana Environmental Information Center, said there is a need for affordable housing in Montana. One of the main reasons for this is to protect communities from sprawling, which impacts water quality, water quantity, air quality, and energy consumption. It is a good idea that this fund can help people weatherize aging homes.

Gene Lewer, Executive Director, Rocky Mountain Development Council, said they are in favor of affordable housing, affordable home ownership, and preservation of existing subsidized projects. There are three major areas that deserve attention: new construction and rehabilitation for multi family units,

preservation of 30-year-old projects that need updating, and affordable home ownership issues. The trust fund is an important component of the various sources available to develop affordable home ownership.

Opponents' Testimony:

Mark Simonich, Director, Department of Commerce, read from his written testimony. EXHIBIT(tah15a05)

Ronda Carpenter, Montana Housing Providers, said the interest in developing the Housing Trust Fund has grown as more people have and want to become involved. There are a lot of ideas on what to use the money for, but there is not enough money to go around, so it is felt the money could be used in a better way. Since 1997, the Montana Board of Housing has funded over 3300 tax credit rental properties. In 2000, over 1800 mortgages were done. Fannie May has just recently announced they are setting up an office in Montana and pledged to put over \$1 billion into Montana for housing programs. Using the Section 8 money poses a lot of problems. The programs we heard about in the proponent testimony were funded with home money through the Board of Housing and Commerce Department. If the Section 8 reserve program is used up, then more of the home money will need to be used to administrate. This is robbing Peter to pay Paul. There are additional costs now in Section 8, such as lead based paint testing. The committee should concentrate on alleviating the regulatory impediments to developing new housing and increase the wages of Montanans so they can afford the existing housing rather than create more low income housing instead of finding them good jobs.

Questions from Committee Members and Responses:

{Tape : 1; Side : A; Approx. Time Counter : 59.9}

REP. FORRESTER asked about the pots of money out there and the danger that appropriations will not give this cause anything. REP. ERICKSON said a very strong vote from this committee would send a message to appropriations. This is a pot of money worth over \$3.6 million in the reserve account running steady for 6-8 years. \$1.6 million would be taken out of the \$3.6 million that is there. It is not the business of state government to have pots of money for some use that may or may not ever come, particularly if it is a pot of money that has set there steady for quite a number of years. REP. FORRESTER asked if the governor's office would oppose using the reserve money for HB 57,

even if the Department of Commerce would need to use some of this money for current programs. **Mark Simonich** said he believed strongly that the Department should not act outside of the administration. He did have a discussion with Governor Martz and members of her staff, and their feeling was they needed to oppose this legislation. As a policy call, they were concerned about the potential impact on Section 8. **REP. FORRESTER** asked if the legislature would be dissuaded by the administration from accessing this money. **Mark Simonich** said this is a policy call the legislature needs to make.

REP. SCHMIDT asked for a response to the opponent testimony from **Judy Smith**. **Judy Smith** said everyone is committed to the fact that something needs to be done, but the question is exactly what. She pointed out 1990 census numbers are not used for affordable housing discussions, as they update their numbers on an annual basis by doing surveys and counting numbers. They are not proposing to rob Peter to pay Paul in the sense they are taking away vouchers from Section 8, but the reserve money can go into another use and be matched by other money. They would not want to take away money that needs to be used for administration costs, but would like this to be open to conversation with the Department of Commerce. They believe this will use the reserve fund in a better way. **REP. SCHMIDT** asked the same question of **Ren Essen**. **Ren Essen** said they do not provide free housing. They utilize the Board of Housing and Department of Commerce programs; however, the majority of their families are working families with rents ranging from \$150 to \$450 per month. They mandate that their housing is affordable to the families who rent from them. They want to provide affordable housing but do not over subsidize or provide free housing. They want to work with the Department to look at how the reserves can be used in the best way. **REP. SCHMIDT** asked if the opposition was now less after hearing the responses from the proponents. **Mark Simonich** said this is a very difficult bill to oppose, but they would like to work out some type of compromise.

REP. DEVLIN asked how much is currently in the Section 8 reserve fund. **Bruce Brensdal**, Executive Director for Board of Housing & Administrator for Housing Division, Department of Commerce, said there is approximately \$3.5 million in the reserve account. **REP. DEVLIN** asked for explanation of money going in and out of the fund. **Bruce Brensdal** said in the early 1990's, they were earning excess fees in the amount it was costing to operate. Within the last two years, they have begun to use the reserve account of about \$60,000 in 1999 and \$170,000 in 2000. With the additional lead base paint requirements, they anticipate these costs to

increase and anticipate utilizing this reserve. There is an ability to earn interest on the reserve, and this is additional revenue that can be used to operate the programs.

REP. ESP asked if there is any statistics on the default rates of the loans. Ren Essen said they provide a full range of services to the families they are providing the assistance to, so they are very well educated regarding owning a home. There have not been any defaults within their programs, but they have not been running very long, and other programs have default rates comparable to the market. REP. ESP asked for clarification of a statement made in testimony that the lack of affordable housing in the cities is causing people to move out of the cities. Tim Davis said they hear throughout the state that a rationale for moving out of urban areas is because it is more expensive to hook up to the infrastructure in an existing area rather than to move outside of town and put up a modular home, therefore not having to deal with city services and taxes. If there is not decent affordable housing in urban areas, this promotes people moving outside of these areas. REP. ESP said he has heard one of the reasons for concentrating on development in the cities was because it is less expensive to provide services. Tim Davis said it is less expensive for the local governments to provide services within existing infrastructure, but without support for affordable housing in town, often times it is more expensive to build affordable housing in town. REP. ESP asked what the cost is for lead based paint testing and compliance. Ronda Carpenter said the lead based paint regulations say when a Section 8 family wants to move into a piece of property, it must be inspected by someone who is licensed, and that license is relatively expensive to get. The administration money will have to pay the people to become licensed to do these inspections. While inspecting they look for peeling, dusting, chalking, or cracking paint. If they find nothing, the tenant can move in. If they find something, the landlord has two choices of either not complying or getting into compliance by redoing the paint with a licensed professional. If the landlord does not want to comply, then the administration has to pay to test another house. If the landlord says they will comply, the tenant cannot move in until the proper people come in and take care of the paint. After this, the administration must again send an inspector to the house for swab testing, which is \$6.00 per swab, and they test walls, windows sills, and carpets. They are anticipating these inspections could become very costly.

REP. BALYEAT asked if the sponsor wants both bills to pass or just one or the other. REP. ERICKSON said he wants both to pass,

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as they do slightly different things. Neither of them are sufficient, but both of them will help. **REP. BALLYEAT** asked if it was agreed that multi family units would be more cost efficient than single family housing. **REP. ERICKSON** said one section of affordable housing ought to be home ownership, which is the area Montana is weakest in. This \$1.6 million is going to allow for some folks to get into ownership. **REP. BALLYEAT** asked who decides how the money will be divided between all of the diverse groups who can get this money. **Ronda Carpenter** replied that the legislation which created the Housing Trust Fund stated the Montana Board of Housing would administer this. The Section 8 money that is there now is administrative costs. The \$5.1 million they would get out of both of these bills is less than half of what the Board of Housing allocated out in their set-aside programs in the last fiscal year. There are too many people looking at this very small pot of money for way bigger ideas that it can fund. **REP. BALLYEAT** asked if the \$5.1 million is transferred into the affordable housing revolving account who would decide which projects get the money. **Ronda Carpenter** replied the Montana Board of Housing.

REP. BALES asked if the Section 8 money if funded from the Federal government. **Bruce Brensdal** said they receive administrative fees from HUD to operate the programs they have, but it is currently costing more to operate than what is received. **REP. BALES** asked if they are also using interest earned on this account for operation of programs. **Bruce Brensdal** said this is correct. The interest earned on the fund is the money being used to help administer the Home Investments Partnership Program and to fund their consolidated plan, which is required in order to receive any HUD funding for housing in Montana. **REP. BALES** asked how long the remaining funding after the \$1.6 million is taken out plus the future funding received will last. **Bruce Brensdal** said that based on their budget estimates, with the principal reduction in the reserve account plus the loss of the interest earned on this principal, it would be 4-5 years before the account is depleted and they would be looking for other funding.

REP. WADDILL asked what percentage of a monthly salary of a low income family should be spent on housing, what the purchase price of a home should be, and what someone will get for that purchase price, as he is worried about the lower income families only being able to purchase homes nobody else wants. **Judy Smith** said affordability is 30% of income, whether is be for rent or mortgage. It is not the goal of the Housing Trust Fund to put the families into substandard housing just to get them in. **Ren**

Essen said they promote community based solutions, so every community would have a different answer as to the purchase prices. In Billings, they target a purchase price of \$77,900, and this is new construction that is energy efficient.

REP. ANDERSEN asked if there is anything in this program that would provide money for a family to buy an existing home with money for renovations. REP. ERICKSON said this is possible. REP. ANDERSEN asked if there is an idea that this money could be loaned to be used for renovation costs. REP. ERICKSON said there is. Renovation works well, and they have done this in the past.

REP. SCHMIDT asked what was learned in the interim committee. REP. ERICKSON said they got a national perspective on how well housing trusts work in other states. They were hoping to find a permanent ongoing source, as they heard about the real need to do something in Montana.

REP. WAITSCHIES asked where the funding was expected to come from on a long-term basis when the Housing Trust Fund was set up. REP. ERICKSON said there were some new tax proposal ideas, such as the realty transfer tax. REP. WAITSCHIES asked if this was set up with no source of funding other than to go into other funds. REP. ERICKSON said no. When this bill was originally passed, it had a source of funding with it which was cut off. REP. WAITSCHIES asked what the current state of funding is. REP. ERICKSON said zero. This trust fund has no money in it.

REP. LASLOVICH referred to a statement in testimony regarding a better way to use our money and wanted to know what those better uses might be. Ronda Carpenter said she was referring to the amount of money in this bill. The Housing Trust Fund was originally planned to be GAP financing, not 30-year mortgages. It was meant to meet the needs for infrastructure on multi family dwellings and to cover the construction fees not covered by the loans. The concern is that by using this particular money that now funds ongoing housing programs, the money is very short-term.

REP. JACKSON asked for clarification on the amount of vacancy in Great Falls and Butte. Ronda Carpenter said it is 15%. REP. JACKSON asked what the figure is for some of the other cities. Ronda Carpenter said Missoula and Bozeman still have some housing shortages. Billings and Helena have healthy markets with probably 3% or less vacancy. Kalispell is 5-7%. Great Falls, Butte, and Havre tend to be the towns having trouble filling and selling houses. REP. JACKSON asked if the 30% of income rule is reasonable. Ronda Carpenter said this is an industry standard

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rule. **REP. JACKSON** asked whether taxes and maintenance is covered in the cost of owning a home, as there are additional expenses in owning a home. **Ren Essen** said they provide for a home up front that is in a sound state so the families can meet the maintenance costs. The industry standards are used to make sure they can afford the mortgage and have a good debt to income ratio.

REP. BALYEAT asked if there is a fiscal note. **REP. ERICKSON** said there is a fiscal note which he did not sign. This can be obtained during the break. **REP. BALYEAT** asked if there are already Federal programs that provide similar long-term loans for low income people. **Ronda Carpenter** said the Board of Housing issues tax exempt bonds. In 2000, over 1800 first time home mortgages were issued. They also put 291 Montana families into homes through another program. Fannie May has targeted \$1 billion for Montana affordable housing.

REP. SCHMIDT asked for comment on the previous statement. **Ren Essen** said there are a lot of ideas about how the Housing Trust Fund could be used in terms of the financing source, which are not all for first time mortgages. Section 8 money does not have to necessarily be used for multi family rental housing but could be used for other sources such as home ownership.

REP. SOMERVILLE asked if Montana had a single median income of multi area median incomes, and if so, what they are. **Bruce Brensdal** said median income is determined on a county level put out by HUD annually. Examples are Carbon County's median income is \$34,400, Yellowstone is \$47,300, and Silver Bow is \$40,800. They could provide a copy of this to the committee. **REP. SOMERVILLE** asked why Missoula has a tremendous amount of homeless compared with other areas in Montana. **Judy Smith** said in Missoula they take a commitment to look at homeless and are very careful in identifying these folks. They do under the bridge counts and other things to help understand exact numbers. They run programs specifically for homeless families, and very few other places have this. People who have needs come to Missoula, as people know they can be helped there. **REP. SOMERVILLE** asked what the average number of family members is, as the statistics sheet shows number of homeless families, not total number of people. **Judy Smith** said with their program it is usually around three, usually a woman with two children. **REP. SOMERVILLE** asked why it is costing more money to run the program than is being received from the Federal government. **Bruce Brensdal** said it is costing more because HUD continually adds requirements to the

programs, such as lead based paint and deferred income targeting. These requirements mean more people to operate the program.

REP. BALES asked if there is going to be \$1 billion coming into the state how this bill would be different from other sources that will be available. REP. ERICKSON said this is an affordable Housing Trust Fund that needs a start and will over time be a steady source of money. This is not suggested to solve all of the problems. The \$1 billion mentioned is not focused money the way this money is. REP. BALES asked if the state was familiar with the \$1 billion and what it would do. Bruce Brensdal said Fannie May is not a government agency. They recently opened a partnership office in Montana and have committed to bringing around \$1 billion to the state. What this will be used for is unknown, but Fannie May has many different programs.

CHAIRMAN STORY asked if the money could be used for administration, as the bill states, "The funds in this account must be used for programs authorized." REP. ERICKSON said he is not completely sure, but they want to work to make sure the reserve fund does not go completely broke.

Closing by Sponsor:

{Tape : 1; Side : B; Approx. Time Counter : 62.4}

REP. ERICKSON said the issue is need of affordable housing. Unfortunately this bill and the one to follow will be such a small part in meeting this need.

HEARING ON HB 273

Sponsor: REPRESENTATIVE ERICKSON, HD 64, Missoula

Proponents: Patti Keebler, Montana AFL-CIO
Tim Davis, Montana Smart Growth Coalition
Steve Yeakel, Montana HRDC Directors
Anne Hedges, Montana Environmental Information
Center
Wendy Young, WEEL
Roger Halver, Montana Association of Realtors
Sharon Hoff-Brodowy, Montana Catholic Conference
Briana Kerstein, Montana People's Action
Representative Gail Gutsche
Judy Smith, WORD
Kate Cholewa, CPACC

EXECUTIVE ACTION ON SB 172

Motion: REP. FUCHS moved that SB 172 BE CONCURRED IN.

Discussion: REP. ESP asked if the book value fluctuates but they do not sell until the end of the term of the bond so there is not any realized gain. REP. STORY said this is how he understands it. When the bonds are paid back they are amortized, so you get interest and principal every year. When they come in with the report, they have an adjustment that is usually millions of dollars because they have to adjust for those unrealized gains and losses.

Motion/Vote: REP. FUCHS moved that SB 172 BE CONCURRED IN.
Motion carried unanimously. REP. BALYEAT to carry on floor.

EXECUTIVE ACTION ON HB 57

Motion: REP. ERICKSON moved that HB 57 DO PASS.

Discussion: EXHIBIT(tah32a06) (Note: Joint discussion on HB 57 and HB 273.) REP. BALYEAT said they should pass HB 57 in an amended form over HB 273 because it is more flexible to work with the money. REP. ERICKSON said HB 57 is a bill that the Revenue & Taxation Committee suggested during the interim. In the Section 8 funding, there was a reserve fund not being used. The money would be able to be used differently than the TANF money, as this money can be used to actually construct houses. The TANF money can be used for loans. REP. SOMERVILLE asked who would do the construction. REP. ERICKSON said the private sector would be involved, but cities and counties could be involved as well. REP. STORY referred to the statute previously handed out and said it states what the law allows the money to be used for. REP. ESP asked if there was any credence in the Department saying this fund would deplete over the next few years. REP. ERICKSON said since this money has not been used for six years the Department will try to find a way to spend it. The need for affordable housing is great and here is some money. REP. STORY asked what initial principle means as stated in the bill. Jeff Martin said there is an initial deposit into the revolving loan account fund to make loans. REP. STORY asked if \$1.6 million is put into the account if that is the initial deposit and if deposits can be added to the principle. Jeff Martin said this is not clear. REP. ERICKSON said if the TANF bill is passed, we will need to make some slight changes to this law so it is understood how the TANF money could be used. Any technical problem would be able to

be fixed at that time. REP. ESP asked what the amount of money is that exists already. REP. ERICKSON said he is unsure, but this particular idea is to get people into home ownership. There are a lot of programs that help with rentals, but this is a program to help people into affordable housing ownership. Ren Essen said the intention of the revolving loan fund is to provide where there is gaps. The \$1 billion referred to during the hearing is regarding a press release put out by FANIMA.

ched EXHIBIT(tah32a07) It has been clarified that this money with FANIMA is actually conventional loans, so some people might not be able to access this. The housing trust fund will serve a different population than the money FANIMA has set aside. REP. ESP asked if this money can be loaned for down payments to get conventional loans. Ren Essen said yes, so this would be a matching program to leverage conventional sources. Families who could have afforded home ownership a couple of years ago can no longer access affordable housing because of the market. The loan program would provide for families to get their first home but the money would be recaptured with interest. REP. BALLEW asked if this money could be used to help access the FANIMA money and could be spread further because of repayment. Ren Essen said yes. They have provided second mortgages at low interest and matched it with conventional loans, so the overall interest rate was reduced, and the family makes both payments. REP. ESP said Section 8 housing has a valuable role, and he does not want the fund to be depleted, so he stands in opposition to the bill. REP. DEVLIN asked if these two bills work closely enough together that if only one were passed it would not work. REP. ERICKSON said these bills can work by themselves, but they will work better together. REP. BALLEW asked if Section 8 money has money going out but begin repaid. REP. ERICKSON said Section 8 is not a revolving loan. REP. STORY said assumption 1 on the fiscal note addresses this. REP. FORRESTER said Section 8 individuals are willing to work and want to get out from under this Section 8 money and have home ownership. REP. SOMERVILLE asked if any of the workers currently being laid off would be under Section 8 housing. REP. FORRESTER said Section 8 has definite income guidelines, so the people who have been laid off probably would not qualify; however, if they are in a rented unit now and the landlord has agreed to Section 8, they may be eligible. REP. SOMERVILLE asked if Section 8 will need additional funds in the next year because of the additional layoffs. REP. FORRESTER said the funds proposed to be accessed is the reserve account. REP. STORY asked how the \$3 million ending fund balance fluctuates throughout the year. REP. ERICKSON said about \$80,000 in interest is collected per year, and they have been using the interest.

Motion: REP. BALYEAT moved that THE BILL BE AMENDED FROM \$1.6 MILLION TO \$.5 MILLION.

Discussion: REP. BALYEAT said the amount should be decreased because they need some of the Section 8 money and it will probably pass through the system with the decreased amount of money. REP. ERICKSON said he believes with the argument that it would be useful to have the flexibility with this money and that it would probably make the bill more likely to pass through the system, so he will reluctantly consider this as a friendly amendment.

Motion/Vote: REP. BALYEAT moved that AMENDMENT DO PASS. Motion carried unanimously.

Motion/Vote: REP. ERICKSON moved that HB 57 DO PASS AS AMENDED. Motion carried 18-2 with Esp and Story voting no.

EXECUTIVE ACTION ON HB 273

Motion: REP. ERICKSON moved that HB 273 DO PASS.

Discussion: REP. ERICKSON said in recent years other states have been going toward using TANF money in this way, and it is working. This money will assist families with getting into home ownership. If this bill is passed, it will go to appropriations. REP. ESP said there are a lot of people going after this same pot of money, so if it comes down to a choice between mental health and housing, he chooses mental health. Judy Smith said the money for mental health has already been removed from the pot. There is around \$60 million of TANF money to use, so this would not be disadvantaging any other important use. REP. ANDERSEN asked what happens to TANF money that is not used. Judy Smith said TANF is a block grant, so after a certain period of time if it is not used it is lost, plus we may not get authorized the same amount of money again. The Department made a decision to create a large amount of money and hold it, so now they have to spend it because reauthorization is in 2002. REP. ANDERSEN asked if spending of this money is not authorized does the Department have the latitude to decide how it might be spent. Judy Smith said the Department has put together FAIM 2 which attempts to spend the money. The Department agrees there is money to spend and that the legislature is the appropriate place to have the discussion of how to best use these TANF dollars. The Department did not oppose this idea. REP. ESP asked what the purpose of these particular funds is. Ren Essen said it is on the handout she

HOUSE TAXATION

Date: 2/8/01

Exhibit #: 6

Younkin, Todd

From: Younkin, Todd
Sent: Monday, October 23, 2000 6:51 AM
To: 'Mignon R Waterman'
Subject: RE: Section 8 Funding Information Request

Sen Waterman,

Here's the balance since fiscal '93. It looks like not much has changed since '94 (a large surplus was left in '94, with little growth/decline since then) Based on just these numbers, it would stand to reason the account could probably handle a shift of funds, however, I need to see what the agency would say the effects would be, and if they have any projections for needing the whole account balance in the future.

'93: \$266.00
'94: \$3.22M
'95: \$3.45M
'96: \$3.34M
'97: \$3.68M
'98: \$3.71M
'99: \$3.65M

Before I give George Warn a call, I just wanted to make sure - The \$2M would be a one-time shift, correct?

Thanks,

Todd

**Funding the Montana Housing Trust Fund**

With housing prices at an all-time high (the average price for a new home in Montana is \$155,000), and with both rural and urban communities seeing working families moving out of state for jobs that pay better and for houses they can afford, the 1999 State Legislature took the first step towards new solutions when they created the Montana Housing Trust Fund. The 2001 State Legislature now has the opportunity to identify specific sources to fund the Housing Trust Fund.

There are currently two bills – HB 273 and HB 57 – that allocate funding into the Housing Trust Fund. The bills identify two sources of funding, which target different income populations, and can be used for different types of housing initiatives. Together, these sources will increase housing opportunities for low and moderate income Montanans.

HB 273: How TANF funds can be used

TANF cannot be used for construction-related expenses, and must be used to benefit families who are TANF-eligible (determined by the stat, no higher than 200% of Federal Poverty Level). Uses of TANF that will help very low-income families access affordable housing opportunities include:

- *Bridge Loans* to landlords on behalf of TANF-eligible families who need additional assistance with security deposits
- *REAL: Rental Emergency Assistance Loans* to TANF-eligible families who need short-term rental assistance
- *Down Payment and Second Mortgage Assistance* for first home buyers, in the form of very-low interest loans
- *Housing & Financial Counseling* to help TANF-eligible families stabilize their housing and to help recover the debt established by loans from the Housing Trust Fund revolving loan fund

In order for the Housing Trust Fund to access TANF funds, additional language needs to be added to the State Code (Sec. 90-6-134) regarding the uses of Housing Trust Fund.

HB 57: How Section 8 reserves can be used

This past year, the House Taxation Interim Committee recommended accessing a portion Section 8 reserves for the Housing Trust Fund. Section 8 reserves are a flexible funding option because they do not have the same income and usage restrictions as does the TANF reserves. Section 8 funds can meet a range of housing needs:

HOUSE COMMITTEE ON APPROPRIATIONS

March 1, 2001

PAGE 9 of 14

Will Weaver answered that the salary averages in Montana rank in the top 3rd of the states so he doesn't think that students would be attracted to other states based on more attractive salaries.

Rep. Kaufmann asked what the difference in training is for a dental assistant vs. dental hygienist and how the two relate.

Will Weaver answered that there are a number of courses that both need to take and some of the equipment will be utilized by both programs. He then referred the question.

Carmen Perry answered that a dental assistant assists the dentist in certain procedures. The dental hygienist is an oral hygiene instructor and deals greatly with periodontal disease, etc. They have their own responsibilities and do not usually work hand in hand with the dentist.

{Tape : 2; Side : B; Approx. Time Counter : 22.6}

Rep. Davies asked why they are not getting more of the positions filled by people from out of state.

Will Weaver answered that he doesn't think there is an over supply of dental hygienists and that may be one reason why.

Closing by Sponsor:

Rep. Bill Thomas closed the hearing on HB 395.

HEARING ON HB 57 AND 273

Sponsor: Rep. Ron Erickson, HD 64, Missoula

Proponents: Deborah Halliday, Home WORD; Ren Essene, Home WORD; Brianna Kirstine, Montana Peoples Action; Kate Choleva, Center for Policy Analysis and Community Change; Tim Davis, Executive Director, Montana Smart Growth Coalition; Roger Halver, Montana Association of Realtors; Steve Yeakel, Montana HRDC Directors Association; Sharon Hoff-Broadway, Montana Catholic Conference; Patty Keebler, Montana AFL-CIO

Opponents: Bruce Sprensol, Administrator, Housing Division; Executive Director, Board of Housing; Lynn Moon, Housing Consultant in Kalispell; Susan Moyer, Community Development Director City of Kalispell

Informational Witness: Sen. Chris Christieans, SD 23, Great Falls

HOUSE COMMITTEE ON APPROPRIATIONS

March 1, 2001

PAGE 10 of 14

Opening Statement by Sponsor:

Rep. Ron Erickson opened the hearing on HB 57 and HB 273 which would allow a revolving loan account for affordable housing and the two bills work together. EXHIBIT(aph47a07) *attached*

Proponents' Testimony:

Deborah Halliday, Home WORD, stood in support of both HB 57 and HB 273 stating they have tried to coordinate supporters in the affordable housing community.

Ren Essene, Home WORD spoke in favor of HB 57 and HB 273.
EXHIBIT(aph47a08) *attached*

Brianna Kirstine, Montana Peoples Action spoke in favor of the two bills and told the committee why they want to see these projects happen.

Kate Choleva, Center for Policy Analysis and Community Change spoke in favor of HB 273 and about the spending mechanism of the bill which is the TANF money going in.

Tim Davis, Executive Director, Montana Smart Growth Coalition spoke in favor of HB 273 and 57 and the need for affordable housing.

{Tape : 3; Side : A; Approx. Time Counter : 27.1}

Roger Halver, Montana Association of Realtors spoke in favor of HB 273 and HB 57 and pointed out these funds are needed to get the revolving loan account going and the Montana Board of Housing is going to administer the program.

Steve Yeakel, Montana HRDC Directors Association spoke in favor of both HB 273 and 57.

Sharon Hoff-Broadway, Montana Catholic Conference spoke favorably of HB 273 and 57 and stated housing is a high priority for the organization she represents.

Patty Keebler, Montana AFL-CIO stood in favor of both HB 273 and 57 and encouraged the committee to support both of the bills for Montana's working families.

Opponents' Testimony:

HOUSE COMMITTEE ON APPROPRIATIONS

March 1, 2001

PAGE 11 of 14

Bruce Sprensol, Administrator, Housing Division; Executive Director, Board of Housing spoke as an informational witness on HB 273 but rose in opposition to HB 57. He then distributed his written testimony. EXHIBIT(aph47a09)✓ EXHIBIT(aph47a10)✓ EXHIBIT(aph47a11)✓ EXHIBIT(aph47a12)✓ EXHIBIT(aph47a13)✓ EXHIBIT(aph47a14)✓ EXHIBIT(aph47a15)✓ } all attached

{Tape : 3; Side : B; Approx. Time Counter : 10.8}

Lynn Moon, Housing Consultant in Kalispell stated that she fully supports the creation of the affordable housing loan account but is opposed to the funding source identified in HB 57. However, she was not familiar with HB 273 and chose not to speak on it.

Susan Moyer, Community Development Director City of Kalispell spoke against HB 57 and its funding source.

Informational Witness:

Sen. Chris Christiaens, SD 23, Great Falls appeared as an informational witness for HB 273 and HB 57 and stated he was on the original Housing Task Force.

Questions from Committee Members and Responses:

Rep. Buzzas asked why using the reserves they cannot fund the current programs they are funding under Section 8.

Bruce Brensol replied that to operate the Helena office along with expenses and contracting field agents within the communities is a little over \$2 million dollars.

Rep. Buzzas asked what the total amount of money is in Section 8 Housing.

Bruce Brensol answered that it is around \$44 million. They get paid an annual fee from HUD to operate the Section 8 Program and that he had mis-spoken that they receive approximately \$1.7 million annually from HUD to operate the program itself. However, that is not sufficient to actually operate the program and have to refer to the reserve account to pay for the additional costs.

Rep. Kaufmann asked about the concept of the revolving loan account.

HOUSE COMMITTEE ON APPROPRIATIONS

March 1, 2001

PAGE 12 of 14

Rep. Erickson answered that the concept of the loan account is that the money will come back and if it is loaned out on a ten year basis then only one-tenth of it comes back the first year.

Rep. Kaufmann asked if the Section 8 reserves are around \$2.5 million, is it possible for a future legislator to indicate this was too much and it should be given back to Section 8.

Rep. Erickson answered that this is a one time only request.

{Tape : 4; Side : A; Approx. Time Counter : 3.6}

Rep. Kaufmann if HB 57 had the support of the building industry.

Rep. Erickson answered he could not recall.

Rep. Jayne asked about the additional costs to the program.

Bruce Brensol answered that he did not have a specific breakdown but it was anywhere from paying for their contract administrators to go out in the field to finding qualified TANFS which takes a lot of time and travel. He then stated he could get specific numbers at a later date.

Rep. Kasten asked if the eligibility for the revolving loan accounts are the same as Section 8 loans.

Ren Essene answered that administrative rule-making and the Appropriations Committee would decide what level of TANF eligibility would be assigned.

Rep. Kasten commented on the poverty level in rural counties.

Rep. Fisher asked if the houses would be modular and built by the prison system.

Rep. Erickson stated this was a different bill.

Rep. Fisher asked if he supports TANF funding for this program.

Hank Hudson stated that they do support the use of TANF funds for housing purposes for low income people.

Rep. Lewis asked about the line item that was put in HB 2 for housing but asked if it was designated to the trust fund and if there needed to be a change in order for this to work.

HOUSE COMMITTEE ON APPROPRIATIONS

March 1, 2001

PAGE 13 of 14

Hank Hudson answered that the amendment that the sponsor suggested is not really needed and that he had been waiting for this hearing to receive direction from the legislature as to where to put the money.

Closing by Sponsor:

Rep. Erickson closes on HB 273 and HB 57.

Exhibit 7

Younkin, Todd

From: Younkin, Todd
Sent: Monday, October 23, 2000 6:51 AM
To: 'Mignon R Waterman'
Subject: RE: Section 8 Funding Information Request

Sen Waterman,

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Before I give George Warn a call, I just wanted to make sure - The \$2M would be a one-time shift, correct?

Thanks,

Todd



Neighborhood Housing Services, Inc. OF GREAT FALLS

509 1ST AVENUE SOUTH • GREAT FALLS, MONTANA 59401-3604 • PHONE (406) 761-5861 • FAX (406) 761-5852

February 26, 2001

House Appropriations Committee
PO Box 201706
Helena, MT 59620-1706

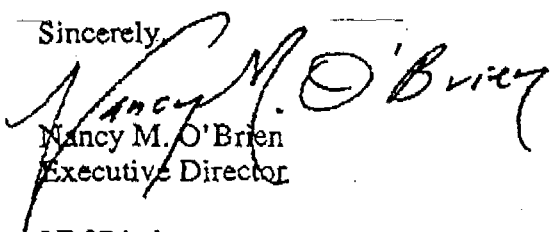
Dear Members:

I am writing in support of HB-273 allocating \$3.5 million in TANF funds to the Housing Trust Fund revolving account. These monies will leverage many times that amount from private sources when they are used to provide the "gap" financing needed for new housing construction or home ownership projects. Without some lower interest rate funds, housing for very low to moderate income Montana families cannot be provided.

The Montana Board of Housing has demonstrated its ability to be a good steward of funds for housing for Montana families. In the 18 years I have been Director of Neighborhood Housing in Great Falls they have never been in a financial crisis or looking for a 'bail out' from State Government. Instead, in a business like way they have continued to expand their programs to serve more and more needy families in more communities, while remaining financially solvent.

I would urge you to entrust MBOH with the \$3.5 million in TANF monies.

Sincerely,


Nancy M. O'Brien
Executive Director

NMO/grb



A chartered member of the national  network.



Revolving Loan Account: Investing in Montana's Economy

1. Helping to Create High-Wage Jobs

Investing \$4 million in the Revolving Loan Account for housing, Montana can expect :*

- 1,197 jobs from increased construction activity
- \$18.72-million in wages for Montana families
- The new wage earners will pay more than \$680,000 in income taxes annually
- For every dollar invested through the Revolving Loan Account, \$9.00 of additional public and private funds are leveraged into Montana's economy

*Estimates based on *Montana Housing Partnership Report, 1999*, and assumes 75% construction-related activities, which is more than the current proposed funding streams will allow.

2. Assisting Montana Families

Investing \$4 million in the Revolving Loan Account for housing will assist an estimated:

- 2,000 low and moderate income families with rental assistance
- 200 low and moderate income families with homeownership opportunities

3. Partnering Existing Resources

Montana can create flexible housing assistance through HB 273 (taps \$3.5 million of unspent TANF reserves) and HB 57 (taps \$1/2 million of unspent Section 8 reserves).

HB 273 Can be used for low-interest loans to TANF-eligible families for *homeownership* (through down payment and second mortgage assistance); for *rental assistance* (through short-term rental assistance loans and security deposit loans); and for *housing counseling*.

HB 57 Can be used for low-interest loans to support *new construction* of affordable rental and homeownership properties; *land acquisition* and *energy and safety upgrades* for existing homes; and *homeownership* (through down payment and second mortgage assistance).

4. A Win-Win for Everyone

Investing in the Revolving Loan Account is a win-win for everyone. Low and moderate income families get sorely needed assistance to purchase a home they can afford, or ensure their rent is affordable, and builders and developers get assistance to develop housing that Montana's families can afford to live in.

**Funding the Revolving Loan Account for Housing:
*No new money, just efficient use of existing resources***

Appropriations—March 1, 2001



The Revolving Loan Account: Efficient Use of Existing Resources

With funding from HB 273 and HB 57, the **Montana Revolving Loan Account for Affordable Housing** (also referred to as a Housing Trust Fund) will provide millions of dollars worth of low-interest loans to low income families. **HB 273** will provide homeownership and rental assistance to TANF-eligible families; **HB 57** will assist with loans for new construction and improvements on existing housing stock. It's critical that both funding streams be accessed to allow local communities the flexibility to address their housing crises.

HB 273: \$3.5 million of TANF reserves for TANF-eligible families

Uses include: *Low-interest loans* to TANF-eligible families for:

- * homeownership- down payment and second mortgage assistance
 - * rental housing- short-term rental assistance loans and security deposit loans
- and *Housing Counseling* to secure loan repayments.

HB 57: \$0.5 million of Section 8 reserves for new construction

Does not redirect Section 8 funds already in use -- taps an existing reserve

Uses include: *Low-interest loans* to support new construction of affordable rental and home ownership properties, land acquisition and energy and safety upgrades for existing homes. Also includes *low-interest loans* for down payment and second mortgage assistance to low-income homebuyers.

Appropriations Committee Action Steps

1. Pass HB 57

2. Amend and pass HB 273 to allow for TANF-related uses

The Revolving Loan Account (MCA 90-6-133) currently does not mention TANF-related activities. Language needs to be added to:

- Define TANF-eligible families and TANF-eligible activities
- Allow for housing counseling activities, such as education on budgeting, establishing good credit, training on the entire purchasing process. Housing counseling is recognized throughout the affordable housing industry as critical to foreclosure prevention and to ensure the repayment of loans.

3. When HB 2 is under consideration, specify \$3.5 million of TANF reserves and \$0.5 million of Section 8 be transferred into the Montana Board of Housing Revolving Loan Account

Language needs to be added to HB2 to designate that the \$3.5 million in TANF reserves be *transferred* to the Montana Board of Housing. MBOH has the *experience* and *expertise* needed to run effective housing programs.

Funding the Revolving Loan Account for Housing:
No new money, just efficient use of existing resources

Exhibit 9

HB #0057

**Transfer of \$500,000 from Section 8 Housing to Affordable
Housing Revolving Account**
Prepared Testimony

- The Administration and Division are very much in support of funding the Housing Revolving Account. It is sometimes forgotten how important affordable housing is, not only for the existing residents of Montana, but to attract new businesses requiring housing for their employees. However, this should not be at the expense of existing housing programs currently serving thousands of Montanans. This bill, in effect, robs Peter to pay Paul.
- The Section 8 programs provide rental subsidy to approximately 7,759 households. The tenant pays 30% of their income for rent and Section 8 pays the difference in rent being charged. (There are maximum limits of rent that can be charged.)
- The Section 8 reserve account has accumulated from excess of fees earned over operation costs from HUD in the early 90's, but fees currently earned no longer cover all program costs.
- In fact, the reserve has been needed to operate existing programs for the last two years. Reserve funds were utilized in FY 1999 (\$60,215) and FY 2000 (\$170,719) to support current operations. We anticipate needing this fund to operate in the future with an operating deficit of approximately \$543,667 for FY 2001 estimated.
- Since implementation of the Quality Housing and Work Responsibility Act of 1998, HUD has assigned the Montana Section 8 Program many additional requirements. We anticipate that our costs of running the program will continue to increase with no foreseeable increase in fees earned. One example of this is new lead based paint rules, to be implemented starting in FY 2001. The amount of increased costs is only an estimate at this point but we fully expect to see these continuing costs increase in coming year.

- The removal of \$500,000 affects on existing housing programs listed in the Fiscal Note:
 - When HUD is late making payments to the state, the reserve is used to make payments in the short term (up to a year) to landlords. This could no longer be done, causing contract defaults.
 - Interest earned in the account of approximately \$80,000 per year (currently used for program operations) will be lost with accelerated additional losses as the reserve is depleted much more quickly that was previously scheduled.
 - Reserve funds are currently used to help pay for the State Consolidated Plan and HOME administrative costs. This would be impossible in the future if funds were removed from the reserve.
- Other effects that could be seen:
 - Reduction in field agent fees (field services are privatized through 11 contractors) at a time when field administrative costs are increasing.
 - General Fund Appropriation request to operate HOME, Consolidated Plan, and possibly even Section 8.
 - Jeopardize future HUD fee rate increases
- Reducing this reserve will jeopardize the operation of programs currently assisting 7,700+ households to fund a program, which, although very much needed, will not assist anywhere near as many people. It not only jeopardizes the Section 8 Programs but the HOME Investment Partnership, Community Development Block Grant (CDBG) and the Emergency Shelter Grant (ESG) Programs.
- By Federal Law this reserve fund can only be used for administration of the section 8 program and other housing activities. It can not be used fund other activities such as state budget shortfalls.

House Appropriations Committee
State Capitol
Helena, Montana

February 28, 2001

Dear Representatives,

As a HOME Grant recipient I would like to encourage you to oppose House Bill 57 because it would negatively impact the amount of services we would be able to provide our grant recipients.

The Montana Department of Commerce has done a sterling job of utilizing the least amount of HOME administrative money they can and passing the rest on through to the grant recipients. This has meant the difference between being able to administer the grants and having to pass on the grant because we can't afford to run it.

This bill would be funded with Section 8 reserve funds, the funds MDOC has used to supplement their administration. By redirecting those funds, MDOC will have to take more than their usual 2% from the HOME federal funds just to run their shop. The result is a reduction in the administrative funds that come to the grantees. For some grantees, this spells disaster.

Please do not penalize MDOC for being frugal and innovative. DO NOT SUPPORT HB 57.

Thank you,



Jim Atkinson
Board Chairman
Senior Home Repair Program
723 5th Ave. East
Kalispell, MT 59901
(406) 758-5730
Fax (406) 758-5732

REGIONAL SERVICES

CENTRAL OFFICE

Box 80785 • Billings, MT 59108
PHONE (406) 652-5443 • FAX (406) 652-9361

February 28, 2001

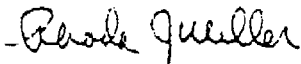
Julie Flynn, HOME Program Officer
Dept. of Commerce
P.O. Box 200545
Helena, MT 59620

Dear Julie:

I am writing to express my concerns about HB57 with its intent to transfer money from the Section 8 Reserve Fund into the Housing Trust Fund. It is my understanding that money in the Section 8 Reserve Fund is used to fund 2% of the HOME program operating costs and up to 8% of administrative costs for non-profits like Regional Services who have built low-income housing projects in Montana. If HB57 goes into effect and HOME loses some of that funding, HOME may have to use some of the administrative costs that are usually allocated to the non-profits. I believe this could impair the ability of agencies like mine to build any more low-income housing projects. Those administrative costs help to cover some of the costs associated with the development of these projects. If I had not been able to get these funds, I seriously doubt I would have been able to do the project.

Please let the House Appropriations Committee know that I DO NOT support HB57, because of the serious implications for future low-income housing projects in Montana. The HOME/Section 8 program is great for low-income people, and we need to do everything possible to sustain it.

Sincerely,



Rhoda J. Miller, CEO
Regional Services



MILES CITY HOUSING AUTHORITY

M. Melissa Hartman, Administrator

CITY OF MILES CITY

Ex 12
3.1.01
HB 57

17 S. 8th, P.O. Box-1095
Miles City, MT 59301

Telephone: (406) 232-3433
Fax: (406) 232-2903

RECEIVED

FEB 27 2001

DOC HOUSING

February 26, 2001

House Appropriations Committee
Helena, MT 59620

Re: HB57

Dear Appropriations Committee:

This letter is written to voice our opposition to HB57 and the reasoning is quite simple and direct. If this bill were to pass it would make running a HOME grant even more difficult than it is at this present time with the limited funds allowed for administration.

Miles City has been a HOME program recipient and I can verify that a reduction in administration funds would severely handicap the administration of future grant programs. We have been very frugal in the past and I firmly believe if HB57 were to pass it would create a definite hazard.

Please vote against the passage of HB57! Thank you for your attention.

Sincerely,

M. Melissa Hartman
Administration



Montana Housing Providers
3208 2nd Avenue South
Great Falls, MT 59405
(406) 727-5659

Ex: B
3.1.01
HB 57

February 28, 2001

Rep. Steve Vick
Chairman, House Appropriations
Capitol Building
Helena, MT 59602

Mr. Chairman and members of the committee,

I apologize that I cannot attend the hearing in person and would ask that my written testimony be placed in opposition to HB 57.

Montana Housing Providers is made up of landlord associations throughout the state and represents about 1000 landlord's dedicated to providing safe and affordable housing to the 30% of Montana households that rent their homes.

Although we appreciate the need to develop affordable housing we cannot endorse taking funds from a program that benefits approximately 8,000 families in order to give that money to a trust fund that, if funded in this amount, would probably only assist in 4 projects.

These funds are currently used to administer the Section 8 program. Many years ago this program was well funded and offered many incentives to the landlord to participate. It is no longer adequately funded by the federal government and now requires a lot from the landlord that is willing to participate. The new lead based paint regulations are a perfect example of an unfunded mandate to the state and new requirements for the landlord in order to participate in the program. If the Dept. of Commerce has to cut their operating budget for this program and there are long delays for the landlord and the tenants in the program, many landlords will choose not to participate in this program. If landlords do not participate the vouchers are useless to the tenant.

Please, keep the Section 8 program solvent in Montana and vote no on HB 57.

Sincerely,
Ronda Carpenter
lobbyist

**HOUSING
AUTHORITY OF
BILLINGS**2415 1ST AVENUE NORTH
BILLINGS, MONTANA 59101
406-245-6391Ex:14
3-1-01
HB 57

February 28, 2001

House Appropriation Committee Member
Montana State Legislature
Montana Capitol Building
Helena, Montana

Dear House Appropriations Member,

I am writing with concerns about House Bill 57. I have been with the Housing Authority of Billings for fifteen years; in that time Billings has almost always averaged a waiting list of at least 1,200 families awaiting Section 8 Rental Assistance. This bill would take five hundred thousand dollars of Section 8 reserves, with the intent of being used by the State of Montana for the new State Housing Trust fund. In considering that these funds be used for other houses purposes, when Billings has a current waiting list of 1,500 families waiting for Section 8 assistance, seems like a huge miscarriage of federal program intent.

The Dept. of Commerce currently uses these funds to run the Section 8 program, pay contract administrators to operate it and use these funds when HUD is delayed in sending new contracts. Please consider that you may be hurting the very same low-income people with this bill that you may wish to assist.

If you wish to discuss this with me please contact me at 245-6391.

Thank you for your time and attention in this matter.

Respectfully,

Lucy Brown
Executive Director



Ex:15
3.101
HB 57

Neighborhood Housing Services, Inc. OF GREAT FALLS

509 1ST AVENUE SOUTH • GREAT FALLS, MONTANA 59401-3604 • PHONE (406) 761-5861 • FAX (406) 761-5852

February 26, 2001

House Appropriations Committee
PO Box 201706
Helena, MT 59620-1706

Dear Members:

I am writing in opposition to HB 57.

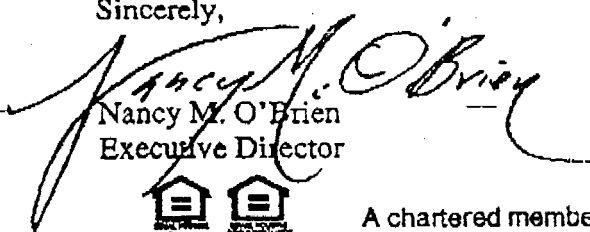
Neighborhood Housing Services, a non-profit headquartered in Great Falls, has a twenty-year history of revitalizing neighborhoods in Great Falls and putting lower income families into homeownership. In the last few years, we have expanded our homebuyer education and down payment assistance programs to fifty-two Montana counties and have put over 1600 families into homes across Montana.

Since 1985, Montana Board of Housing has been a major supporter for our programs and has provided over \$30,000,000 in mortgage monies for our buyers. It is my opinion that MBOH is an exceptionally well-run organization, fiscally responsible, and very responsive to the housing needs of lower income families in Montana. I believe that you would be hard pressed to find a good non-profit involved in housing delivery in Montana that would not agree.

Having been one of the first advocates for a Housing Trust Fund, I find myself torn in regard to HB 57 for funding the Trust Fund. Though I strongly believe that the Legislature should allocate dollars to the Fund, I also believe that it should not be done at the expense of other housing programs. To put the long term financial stability of MBOH and the section 8 program at risk would be extremely unwise.

I would urge the committee to use TANF not Section 8 dollars for the Housing Trust Fund.

Sincerely,



Nancy M. O'Brien
Executive Director

A chartered member of the national  network.

HOUSE COMMITTEE ON APPROPRIATIONS

March 12, 2001

PAGE 19 of 27

REP. BUZZAS asked if they could wait until tomorrow. The sponsor was looking at possible amendments to do some of the things REP. LINDEEN talked about. Could we postpone this.

CHAIRMAN VICK said they would wait one day.

EXECUTIVE ACTION ON HB 57

REP. MCCANN asked if HB 57 and HB 273 were addressed in HB 2. REP. LEWIS said we addressed HB 273 and funded it in HB 2. There is a potential amendment on HB 273. But HB 57 isn't going to go anywhere because people representing the Governor said they were opposed to the bill.

REP. HAINES spoke about HB 57. He said he had not been able to get any follow up information about the bill. REP. LEWIS said the Division Administrator for the Board of Housing was the one who testified. REP. LEWIS said he talked to Mike Foster. REP. LEWIS said he was in favor of tabling the bill. It is a bad choice to make when we have that section 8 reserve, whether the Governor is there or not. They did present testimony to that effect. REP. HAINES said he would still like to find out where the administration stands on this. He had a lot of feedback from his constituents, and this offered good potential to help some folks. He would like a shot at it before it is thrown away.

EXECUTIVE ACTION ON HB 324

Motion: REP. MCCANN moved that HB 324 BE TABLED.

REP. MCCANN said HB 324 is licensing for drop in day care. Does anyone have any amendments to direct funding of that bill? He asked for discussion.

EXECUTIVE ACTION ON HB 273

CHAIRMAN VICK said that while the committee was looking at their notes, REP. LEWIS and Taryn Purdy had found a way to handle HB 273 so they will do HB 273 next.

REP. LEWIS said we needed an amendment to HB 273 to allow them to use TANF (Temporary Assistance for Needy Families) money. We have to make sure that the money is used directly for TANF recipients. It seemed to be an agreed upon amendment, and we do have enough TANF money in HB 2.

be allowed to do something they would be required to do anyway in order to comply with permit requirements.

SEN. JERGESON asked what was a non-state, state special revenue account. He wondered if the auditors had looked at that. Mr. Chisholm noted that the State Auditor's office and the Department of Administration, that oversees the fund structure, had looked at it. The DEQ was the first agency written up for failure to comply with the law and the technical problems with it. He explained the non-state, non-federal state special revenue accounts were where off-budget revenue could be deposited whether it is monetary or non-monetary proceeds. That would give spending authority for that revenue as an off-budget, non-HB 2 issue.

Closing by Sponsor:

REP. HAINES closed on the bill advising the bill would result in a simple, straightforward process to make bookkeeping easier.

HEARING ON HB 57 AND HB 273

Sponsor: REP. RON ERICKSON, HD 64, Missoula

Proponents: Kate Cholewa
Judy Smith, Homeward
Sharon Hoff-Brodowy, Montana Catholic Conference
Mary Borchard, Montana People's Action
Jane Ragsdale, Montana People's Action
Roger Halver, Montana Association of Realtors
Steve Yeakel, Montana HRDC Directors Association
Betty Whiting, Montana Association of Churches
Tim Davis, Montana Smart Growth Coalition
Byron Roberts, Montana Building Industry
Association
Wendy Young, Working for Equality and Economic
Liberation
Kelly Pollington, Montana People's Action
Alana Mueller, Montana People's Action
Rebecca Holloway, Montana People's Action
Rhonda Carpenter, Montana Housing Providers
Mathew Rude, Montana Board of Housing

Opponents:

Opening Statement by Sponsor:

REP. RON ERICKSON, HD 64, Missoula, distributed a personal handout to each Senator detailing affordable housing in their districts. He explained HB 57 would transfer \$500,000 from Section 8 Housing into the Affordable Housing Revolving Loan Account. HB 273 would transfer \$3.5 million into the Affordable Housing Revolving Loan Account from general TANF. He asserted that money was already in HB 2. The second reason for HB 273, was that the revolving loan account as originally established did not imagine TANF money coming into it, and there was a need for language authorizing the use of TANF funds. The loan account would be allowed to loan money for construction and to folks to buy a home. TANF monies do not allow for construction. HB 57 would put the money into the account and allow the money to be used for construction as well as loans for people buying homes. TANF money can be used for housing counseling and specific loans for folks buying their first home. A bill by **SEN. CHRISTIAENS** in 1999 set up the revolving loan account but no funds were put into the account. He recounted the work of the Tax and Revenue Interim Committee. He said that **SEN. MIGNON WATERMAN** found an administrative fund in Section 8 Housing that hadn't changed in about six or seven years with about \$3.6 million. She wondered if it could be used for housing in a revolving loan account. Originally, she wanted \$2 million, the interim committee decided on \$1.6 million, and in House Taxation Committee the amount was amended to \$500,000.

Proponents' Testimony:

Kate Cholewa, presented the testimony for **Ren Essene**, housing developer, and **Director of Homeword**. She noted it was not a new program, but would put money not being used in other areas into a loan program created in the 1999 session. HB 57 would create new housing stock and HB 273 would help families access the housing through low interest loans, rental assistance and home-ownership counseling.

Judy Smith, **Homeword**, spoke about the need in every community for affordable housing. She noted she represented a coalition effort. She advised that affordable housing was a priority in the state and that existing resources should be moved into a program to either build housing or get folks into housing.

Sharon Hoff-Brodowy, **Montana Catholic Conference**, testified that housing was a basic right on which family stability depended. She supported moving the money into the revolving loan fund.

Mary Borchard, Montana People's Action, said her organization worked to increase opportunities for affordable housing in Montana. She expressed support for HB 57 and HB 273. She contended home ownership was good for families and communities.

Jane Ragsdale, Montana People's Action, read the testimony of Kendal Wolcott. He recently became a homeowner for the first time in Billings with help from MPA and Homeword. Given his family size and income level, he never thought home ownership possible. He noted the benefits of home ownership and urged a yes vote on HB 57 and HB 273.

Roger Halver, Montana Association of Realtors, asked for support of HB 57 and HB 273. He felt that both pieces of legislation provided a tool for low income families to get into housing. He described the housing shortage for low income people in Montana, which was especially acute in university areas. He advised that in other states with revolving loan accounts, the money going into the accounts had been leveraged up to seven times. He noted the account would be administered by the Montana Board of Housing, where there was a successful track record of administering such programs.

{Tape : 2; Side : A}

Steve Yeakel, Montana Human Resources Development Council Directors Association, advised affordable housing was a major concern. He urged concurrence with HB 57 and HB 273.

Betty Whiting, Montana Association of Churches, reported from a study by Dr. Paul Miller, University of Montana, of those using food banks in seven counties. The average income for those of FAIM was \$628 and those not on FAIM was \$738. Housing costs were \$271 and \$350 respectively. When utilities were included, housing costs were 62.7 percent and 86.1 percent of total income. Housing costs and food were the biggest obstacles for becoming self-sufficient. She gave examples of people who were homeless.

Tim Davis, Montana Smart Growth Coalition, reasoned that affordable housing was an essential part of any healthy community. He stated HB 47 and 273 would address that and urged support.

Byron Roberts, Montana Building Industry Association, advised there was a true housing affordability problem in Montana. He stated that since 1990, housing costs had doubled, lot costs had tripled, and salaries had remained relatively stagnant. In 1990,

the Board of Housing financed 1 out of every 10 home purchases in the state. In 2000, they financed one out of every four. According to the Department of Housing and Urban Development, no more than 1/3 of income should be spent on housing. He noted Montanan had one of the highest rates of home ownership at 70 percent. For the other 30 percent, home ownership was virtually impossible. The average price of a new home last year in Montana was \$150,000 and going up. He advised government had traditionally been involved in assisting people with housing. He felt the money was appropriately spent in the revolving loan account and urged passage of HB 57 and 273.

Wendy Young, Working for Equality and Economic Liberation, testified housing provided stability, a sense of pride, and commitment to one's community and those were values they wished to promote. She urged passage of the bills.

Kelly Pollington, Montana People's Action, read testimony of Mary Smith, Montana People's Action, in support of HB 57 and 271. The bills would make home ownership affordable to more people in Montana, including those with disabilities.

Alana Mueller, Montana People's Action, supported HB 57 and 273. She stated she had an undergraduate degree and made low wages. She noted passage of the bill would make home ownership more possible.

Rebecca Holloway, Montana People's Action, testified there was not enough money available through Homeward to meet the need. She urged passage of HB 57 and 273.

Opponents' Testimony:

Rhonda Carpenter, Montana Housing Providers, testified she served on the Governor's Housing Task Force and supported the Housing Trust Fund. She also served on the Montana Board of Housing. She opposed HB 57. She advised of problems in the Section 8 program that had been solved. However, the federal government was no longer paying deposits and lead based paint tests were being required. She indicated the fund had grown from Section 8 grants, but that the program was starting to dip into the fund. Section 8 served 6000 families who were not potential home owners. She felt cutting into the administrative fund would jeopardize the Section 8 program. She built a case for the costs to landlords of slowing down the Section 8 process. She felt there were other sources of funding, such as Fanny Mae, to accomplish the goal of home ownership.

Informational Testimony:

Mathew Rude, Montana Board of Housing, advised they would be administering the loan program and would be available for questions.

Questions from Committee Members and Responses:

SEN. CHRISTIAENS stated there was \$3.6 million in the administrative fund and the federal government had stopped sending money to Montana. He asked if there was a spend-down requirement by the federal government. Mr. Rude said they were still getting federal funding on a yearly basis and there was no spend-down. He said the lead based paint requirements were the biggest issue; it was unclear how much money would be needed for training. SEN. CHRISTIAENS asked if the plan was to use some of the \$3.6 million for training purposes for lead based paint. Mr. Rude said inspections were required and inspectors needed to be trained. SEN. CHRISTIAENS asked how much the fund had grown per year. Mr. Rude said it hadn't grown in about seven years and had been maintained at about the same level. He said the state got a certain amount of money from the HUD program to run its program and had stayed within those bounds for the last seven or eight years. Two years ago they took about \$300,000 or \$400,000 out of the fund and would take about that amount this year. SEN. CHRISTIAENS asked if taking \$500,000 from the fund would be harmful. Mr. Rude indicated it was unknown how many units would need to be re-furnished due to lead based paint. SEN. CHRISTIAENS asked if federal money would be available to assist in the lead based paint effort. Mr. Rude said it had not been earmarked and there was no specific dollar amount.

SEN. JOHNSON asked if the Board of Housing was charged with administering the revolving loan program but since there was no money in it up until now, if there was no experience with the program. Mr. Rude said that was correct. SEN. JOHNSON asked if the rules had been written for the program. Mr. Rude said they were not written yet. SEN. JOHNSON asked if they would have to be written differently than the rules under which other low income programs were operated. Mr. Rude allowed that there would be differences. SEN. JOHNSON asked if there was no problem with handling the program administratively within the Board of Housing. Mr. Rude advised they would not be doing the paperwork or loan servicing. That would be done at the local level with groups like the Homeward program.

SEN. CHRISTIAENS asked why the rules had not been written and adopted since the bill passed in 1999. Mr. Rude said it was partly because there was no funding in the account. He indicated the rules would have to be written differently because of the TANF. New construction could not be done with TANF money. Rules would have to be written specifically to funding type.

SEN. BILL TASH asked if the availability of the revolving loan account to tap into TANF had been addressed in the bill. He asked if there were amendments on either bill to address the concerns regarding Section 8 reserve funds or the transfer of TANF fund to be used in the revolving fund. Mr. Rude said he was not aware of any. REP. ERICKSON advised the fiscal note was for the bill as originally written. In the newest version of the bill, Section 1 line 19-21 solved the problem that was noted in technical note #1 in the fiscal note. He acknowledged that TANF funds could not be used for construction. He noted that .5 FTE would be needed.

SEN. JACK WELLS asked Judy Smith about the size of an apartment in Gallatin County with the average rent of \$531. Ms. Smith said the figures came from the Montana Consolidated Plan. She thought as an average, it probably included everything from one to three bedrooms. SEN. WELLS asked if a two bedroom with one bath would be average. Ms. Smith said that in Missoula, that amount of rent would be for less than two bedrooms. SEN. WELLS asked Byron Roberts {Tape : 2; Side : B} why housing costs had doubled since 1990. Mr. Roberts stated it was primarily due to land costs, regulatory costs, and infrastructure costs. He said housing costs had gone up commensurate with housing costs nationwide. As other things became inflated, housing costs became inflated. SEN. WELLS asked Ms. Borchard if Montana People's Action ever opposed property tax increases, impact fees or additional regulations that forced costs to go up. Ms. Borchard thought they did.

Closing by Sponsor:

REP. ERICKSON closed on the bills. He did not believe that the Fanny Mae money would make a difference to those with low income. He said that was not the way that money could be used. The revolving loan money could be used that way. He disagreed that the use of \$500,000 from the reserve fund would jeopardize the Section 8 program. He indicated that the next session would look at how the housing fund worked and whether more money from TANF could go into it. He was hopeful SEN. JON ELLINGSON's bill would put another source of funding into the revolving loan program.

Vote: Motion HB 57 failed 8-10 with Christiaens, Jergeson, Johnson, McCarthy, Nelson, Shea, Tester, and Waterman voting aye.

Motion/Vote: SEN. MILLER moved that HB 57 BE TABLED. Motion carried unanimously.

EXECUTIVE ACTION ON HB 273

Motion: SEN. MCCARTHY moved that HB 273 BE CONCURRED IN.

SEN. WATERMAN asked about the funding in HB 2 and she indicated the amount had been changed. Hank Hudson, DPHHS, maintained the money appropriated in HB 2 was decreased by three percent to pay for the earned income tax credit. CHAIRMAN KEENAN clarified that the \$3.5 million was reduced to \$3,415,928.

Motion: SEN. WATERMAN moved TO ADJUST THE TRANSFER AMOUNT TO REFLECT THE AMOUNT LEFT IN THE LINE ITEM IN HB 2 TO \$3,415,928.

SEN. ZOOK asked if there was money for that. SEN. WATERMAN answered yes, it was in HB 2 and it came out of the TANF IIR funds. She indicated the money had been there and not been spent in ten years.

Vote: Motion to AMEND carried unanimously.

Motion/Vote: SEN. MCCARTHY moved HB 273 BE CONCURRED IN AS AMENDED. Motion failed with Christiaens, Cobb, Jergeson, McCarthy, Nelson, Shea, and Waterman voting yes.

SEN. JOHN COBB asked what would happen with the money that was there. He wondered if there would be a revolving account created. SEN. WATERMAN said the money was there and had been appropriated for the loan account. Mr. Hudson said they would need to see if it was a restricted line item in HB 2. SEN. WATERMAN assumed that the money wouldn't be transferred, but used for low income housing needs of TANF recipients. It would not go into the fund to be spent. CHAIRMAN KEENAN asked if it was a biennial appropriation with no restrictions. SEN. COBB asked if there would be flexibility. Mr. Hudson said the revolving loan account would be one of the vehicles to be looked at. The direction from the legislature was to use the \$3.4 million for low income housing. Because it was not restricted, if they weren't able to use it for that purpose they would look for other purposes in FAIM IIR. CHAIRMAN KEENAN asked if it could go to the Affordable Housing Loan Account; he wondered if the department had the authority to do that. Mr. Hudson did not